

The Semi-Autonomous Revenue Authority: A Governance Solution for Domestic Resource Mobilization

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Intro - Problem statement

- u Many LDC tax administrations performed poorly
- u There was corruption
- u Mismanagement
- u Lack of compliance and enforcement
- u Low revenue yields

Root cause - Governance

- u Poor incentives
 - u Opportunities for corruption were overwhelming
 - u Salaries of taxmen were poor compared to opportunities
- u Poor accountability and transparency
 - u Firing government officials was often out of the question
- u Problem is governance

Governance of SARAs

- u Head selected in transparent manner, granted degree of freedom in line with responsibility, reports to external board of directors
- u Budget independence (usually based on a formula)
- u Resides outside civil service system
 - u Better salaries and conditions
 - u Freedom to hire and fire

u **Clear performance indicators**

SARAs on the Rise

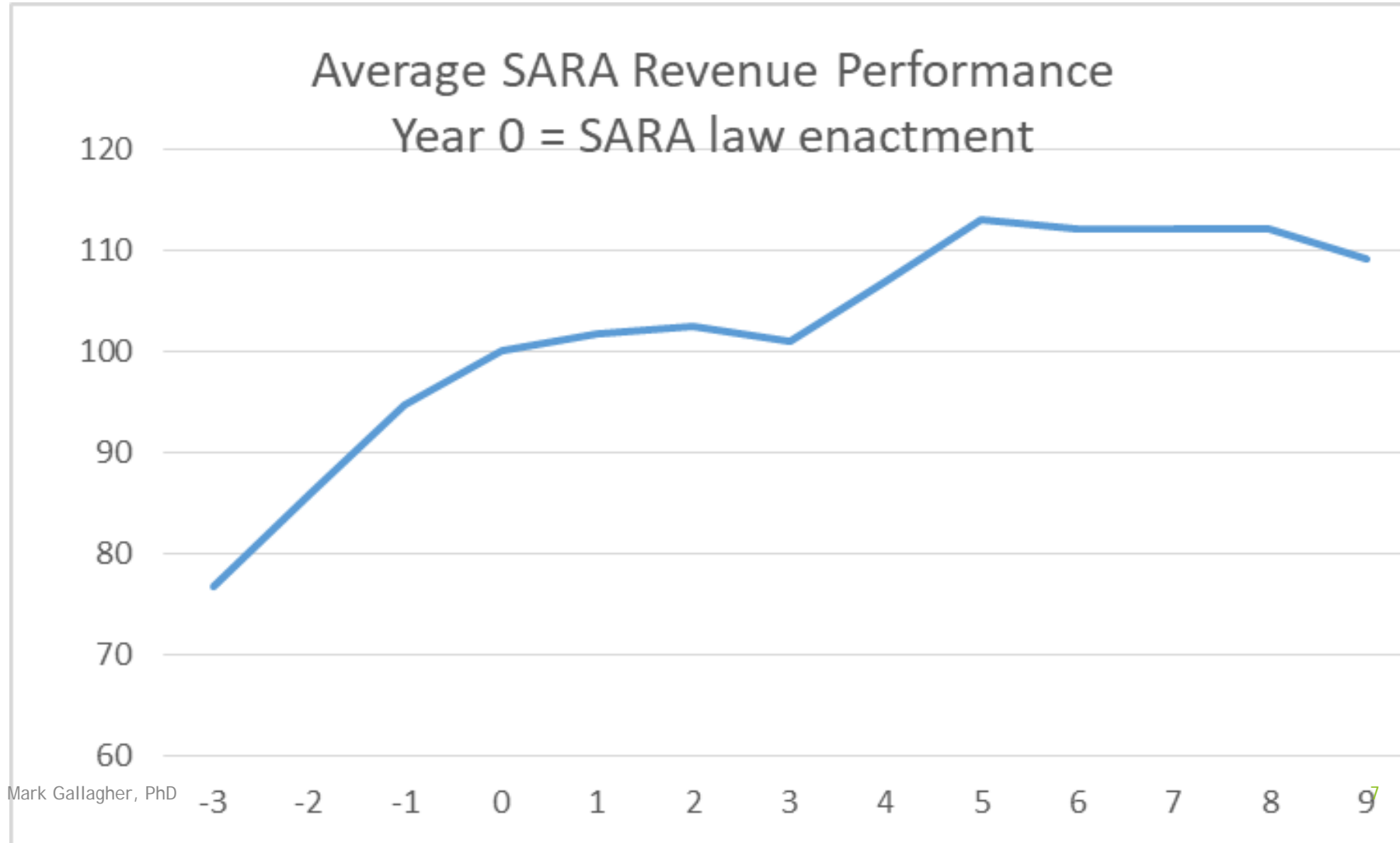
- By 1988, institutional autonomy had gained ground as a reform model of choice, as exemplified in Peru's creation of a National Superintendence of Tax Administration (SUNAT).



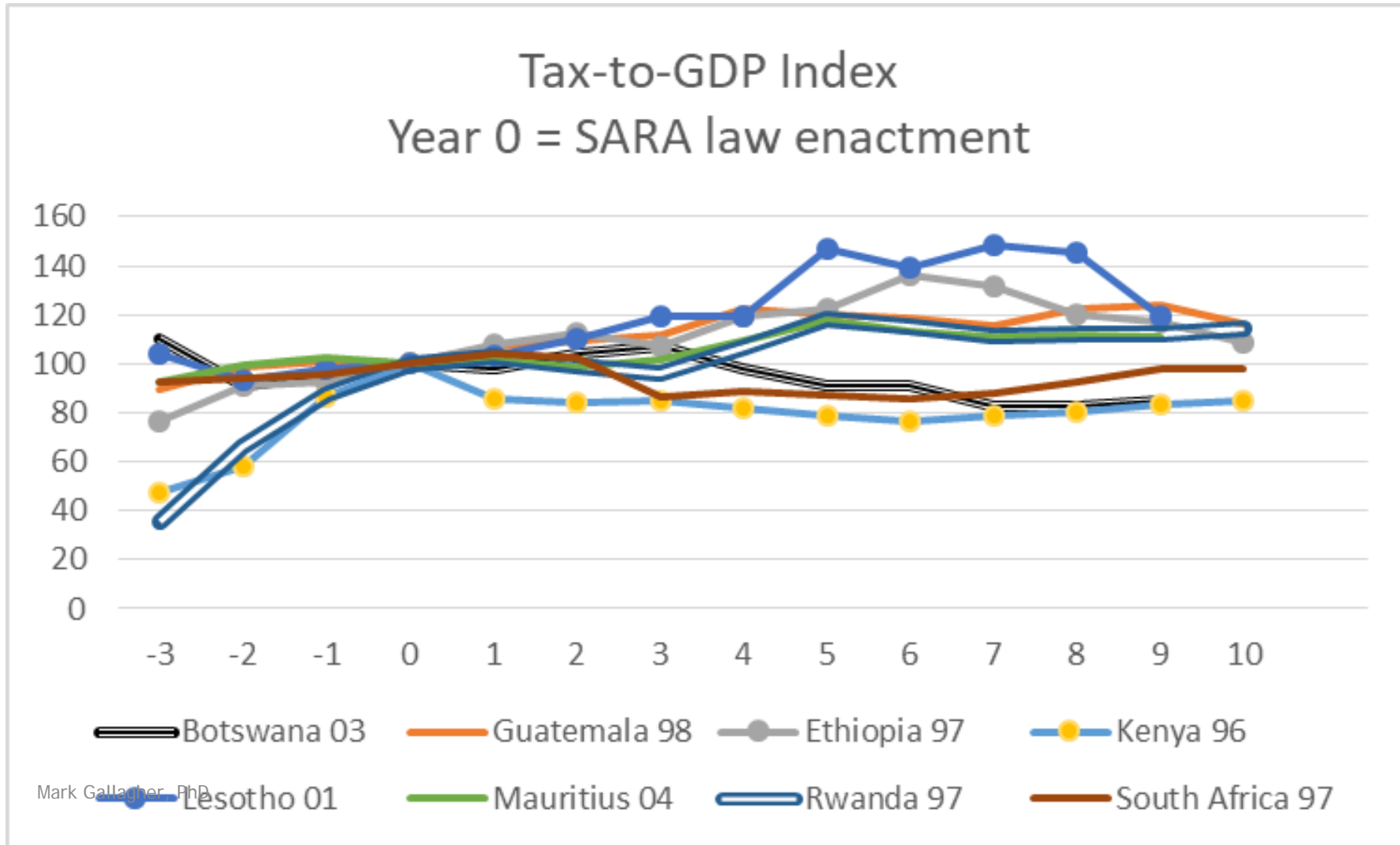
Review of the Record

- u In most cases, led to improved revenue performance
- u But usually accompanied by other modernization
- u External political or corrupting pressures
- u Often slipped back into low performance
- u Let's talk cases

SARA performance tendencies



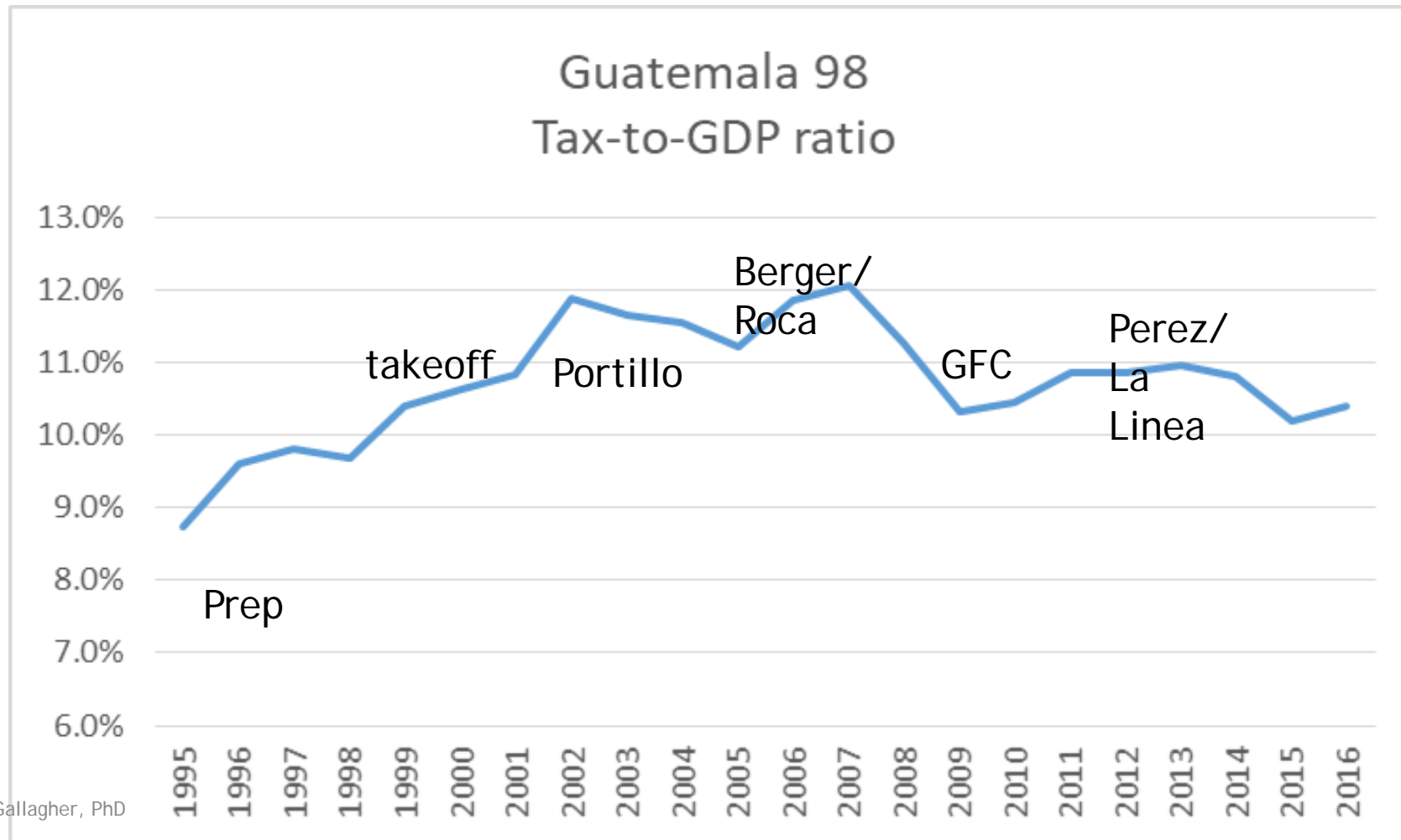
Experiences are more diverse



Bolivia, Mexico, Peru, and Venezuela

- u Early reformers
- u Each eventually saw their autonomy under siege
 - u Sometimes the Minister of Finance wanted to reign in
- u Bolivia's SARA was dismantled - was only a pilot
- u Peru's SUNAT withstood pressures thanks to private sector support

Guatemala SAT



Governance measures for a Durable SARA

u External

- u Support Supreme Audit Agency
- u Support Anti-Corruption Agency
- u Taxpayer ombudsman
- u National Taxpayers Association/Private Sector Watchdog

u Internal

- u Internal audit and controls
- u Transparency and accountability

u Internal ombudsman, appeals, and hotlines

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